

SENATE BILL 30

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(PRE-FILED)

2lr0634
CF 2lr0728

By: **Senators Klausmeier and Kittleman**

Requested: October 3, 2011

Introduced and read first time: January 11, 2012

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Injured Workers' Insurance Fund – Cancellation of Policies – Failure to Pay a**
3 **Premium**

4 FOR the purpose of altering the manner in which the Injured Workers' Insurance
5 Fund may cancel policies when a policyholder has failed to pay a premium;
6 repealing a requirement that the Board for the Injured Workers' Insurance
7 Fund refer cases for collection to the Office of the Attorney General; and
8 generally relating to the cancellation and collection procedures of the Injured
9 Workers' Insurance Fund.

10 BY repealing and reenacting, without amendments,
11 Article – Insurance
12 Section 19–406
13 Annotated Code of Maryland
14 (2011 Replacement Volume)

15 BY repealing and reenacting, with amendments,
16 Article – Labor and Employment
17 Section 10–118, 10–133, and 10–135
18 Annotated Code of Maryland
19 (2008 Replacement Volume and 2011 Supplement)

20 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
21 MARYLAND, That the Laws of Maryland read as follows:

22 **Article – Insurance**

23 19–406.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (a) Except for a cancellation for nonpayment of premium, an insurer may not
2 cancel or refuse to renew a workers' compensation insurance policy before its
3 expiration unless, at least 30 days before the date of cancellation or nonrenewal, the
4 insurer:

5 (1) serves on the employer, by personal service or certified mail
6 addressed to the last known address of the employer, a notice of intention to cancel or
7 nonrenew the policy; and

8 (2) files a copy of the notice with the State Workers' Compensation
9 Commission's designee.

10 (b) Notice under this section may be given:

11 (1) if the employer is a corporation, to an agent or officer of the
12 corporation on whom legal process may be served; and

13 (2) if the employer is a partnership, to a partner.

14 (c) Notice under this section shall state when the cancellation or nonrenewal
15 takes effect.

16 (d) Whenever an employer receives a notice under this section, the employer
17 immediately shall secure coverage in accordance with § 9-402 of the Labor and
18 Employment Article that will be in effect when the cancellation takes effect.

19 (e) (1) The notice shall state the insurer's actual reason for proposing the
20 cancellation or nonrenewal of the policy.

21 (2) The Commissioner may not disallow a proposed action of an
22 insurer because the statement of actual reason contains:

23 (i) grammatical, typographical, or other errors, if the errors are
24 not material to the proposed action and are not misleading;

25 (ii) surplus information, if the surplus information is not
26 misleading; or

27 (iii) erroneous information, if in the absence of the erroneous
28 information there is a sufficient basis to support the proposed action.

29 (f) (1) At least 10 days before the date of cancellation of a workers'
30 compensation insurance policy for nonpayment of premium, the insurer shall send to
31 the employer, by certificate of mail, a written notice of the intention to cancel for
32 nonpayment of premium.

1 (ii) submit a copy of the notice to the Workers' Compensation
2 Commission's designee.

3 (3) Notice under this subsection may be given:

4 (i) for a policyholder that is a corporation, to an official or other
5 agent of the corporation on whom legal process may be served; and

6 (ii) for a policyholder that is a partnership, to any partner.

7 (4) Notice under this subsection shall state the date on which the
8 cancellation is to become effective.

9 (5) Whenever a debt is referred under this subsection for collection,
10 the insurance may not be reinstated until the debt is paid in full.

11 (c) (1) Whenever a debt is referred under this section for collection, the
12 Board, the President of the Fund, or the Executive Vice President of the Fund shall
13 provide the Attorney General with:

14 (i) the name of the policyholder;

15 (ii) each known business or resident address of the policyholder;
16 and

17 (iii) a statement of the amount that the policyholder owes to the
18 Fund.

19 (2) The Attorney General may sue, in the name of the Fund, to collect
20 the debt.

21 (d) **(2)** If [the President of] the Fund considers settlement to be in the
22 best interest of the Fund, a debt [that is referred under this section for collection] may
23 be settled.

24 10–135.

25 (a) The Board may:

26 (1) adopt requirements for uniform payroll; and

27 (2) require each policyholder to conform to the requirements.

28 (b) In accordance with the requirements that the Board adopts, each
29 policyholder shall submit a report on wages or other documentation to the Board at
30 intervals that the Board sets.

1 (c) The Board or its authorized employee **OR AGENT** may inspect at any time
2 the payroll of a policyholder.

3 (d) [(1)] [Subject to paragraph (2) of this subsection, the Board, the
4 President of the Fund, or the Executive Vice President of] **IN ACCORDANCE WITH §**
5 **19-406 OF THE INSURANCE ARTICLE**, the Fund may cancel the insurance of a
6 policyholder who:

7 [(i)] **(1)** fails to comply with subsection (b) of this section; or

8 [(ii)] **(2)** refuses to allow an inspection authorized under
9 subsection (c) of this section.

10 **(2)** At least 30 days before the date set for cancellation of insurance
11 under this subsection, the Board shall:

12 (i) serve on the policyholder, by personal service or by certified
13 or registered mail sent to the last known resident address of the policyholder, a notice
14 of intention to cancel insurance; and

15 (ii) submit a copy of the notice to the Workers' Compensation
16 Commission's designee.

17 **(3)** Notice under this subsection may be given:

18 (i) for a policyholder that is a corporation, to an official or other
19 agent of the corporation on whom legal process may be served; and

20 (ii) for a policyholder that is a partnership, to any partner.

21 **(4)** Notice under this subsection shall state the date on which the
22 cancellation is to become effective.]

23 **SECTION 2. AND BE IT FURTHER ENACTED**, That this Act shall take effect
24 July 1, 2012.